

FRACTIONAL CURRENCY COLLECTORS BOARD
c/o M.R. Friedberg
2537 Claver Rd.
Cleveland, OH 44118
August 1988

NEWSLETTER FOR AUGUST 1988

M. Gengerke, Secretary, promised me a copy of the Memphis Meeting minutes for this issue, but as is oft the case, there has been a slip between lip and cup (or something like that). In any case my recollection of the breakfast meeting at Memphis is of a well attended most pleasant affair with several official actions. Benny Bolin was elected (?), forced (?), volunteered (?) as Membership Promotion and Publicity Chairman and has already produced results. The entire group unanimously voted to send a letter of Thanks to Terry Cox (Vintage Fractionals) for his membership promotional activities. Bill Brandimore volunteered to handle the assignment and Terry Cox has already received his certificate and gracefully acknowledged its receipt. The group authorized the Xerox reproduction of 100 additional copies of the "INDEX" and Gengerke advised that he could accomplish the reproduction at an approximate price of 2 1/2 cents per page. The best previous price was 5c per page. The manuscript was turned over to Gengerke to proceed. My latest word from him was that the manuscript was prepared to go to the printer but that he hadn't gotten there yet. Hopefully, the 5 new members who haven't yet received their copies, will get them shortly!

M. Gengerke was the lecturer at the open meeting of the FCCB at Memphis. His talk was well received and a photocopy of the publicity is attached.

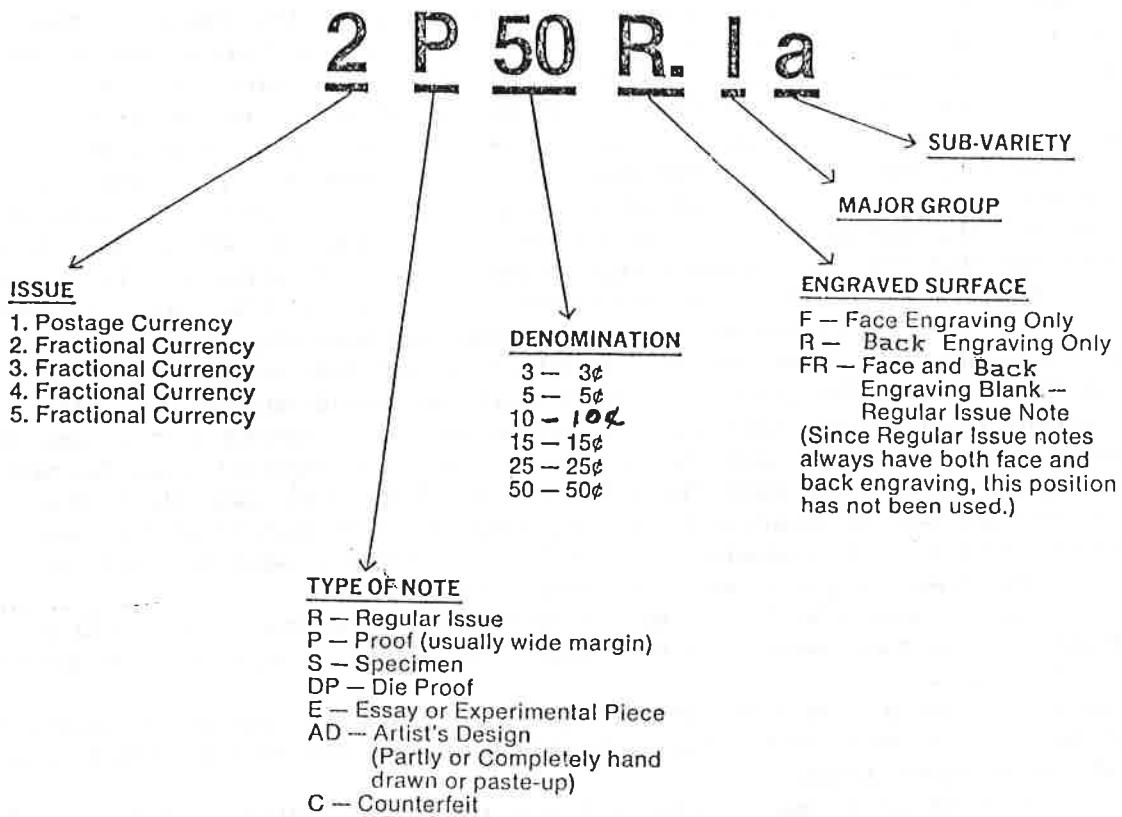
You will find a sheaf of photocopies of various subjects guaranteed to hold your interest. They are offered on the chance that you might not have seen them.

A major find at Memphis was a block of eight 1R10.2a (ABN,perf) last seen in the Friedman Auction in 1903. Several other rare notes were unearthed and became the property of FCCB members. In addition, several pairs of notes listed by Limpert in 1947 resurfaced and their existence verified. Photocopies are attached for your reference. A major find came at ANA in Cincinnati when Len Glazer was shown a group of six notes described by Frossard as numbers 60, 61, 62, 63, 65 and a note similar to 60 but with a green overprint similar to 3E50F.4. (The Frossard list was included in your July 15, 1986 Newsletter). The current ownership of the group is unknown since the negotiations by the owner exceeded the buying power available! Photocopies of the notes are attached. Late information indicates that one note is in the hands of Martin Gengerke and the others are owned by another dealer.

Once again it is dues time ... The attached membership list indicates those that have paid their dues and lists our new members. Mailing labels addressed to Treasurer W. Lee are included for those of you who have not yet paid your dues. Dues are still \$10 for continued membership and \$15 for new members.

"The Encyclopedia" is currently at a standstill. I have completed the text and have taken all necessary photos, but haven't found a way to reproduce the pictures or text at a reasonable cost! For those of you with computers, the text and database are available on 5 1/4" 1.2 Megabyte disks as used on an IBM-AT. Two disks are required. The database is in "DBase III+" (actually "Foxbase+") and the text is in "XYwrite III+". Send me your disks, self addressed and stamped envelope and they will be on the way to you.

GUIDE TO MILTON NUMBERING SYSTEM



RARITY GUIDE

- | | |
|--|--|
| R.1. — Over 1250.
R.2. — 501-1250.
R.3. — 201- 500.
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R.5. — 31- 75. | R.6. — High 13-20, low 21-30
R.7. — High 4-6, low 7-12
R.8. — 2 or 3.
Unique. |
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Dr. Stuart Gwynn

The inventor of 'Spider-leg' paper

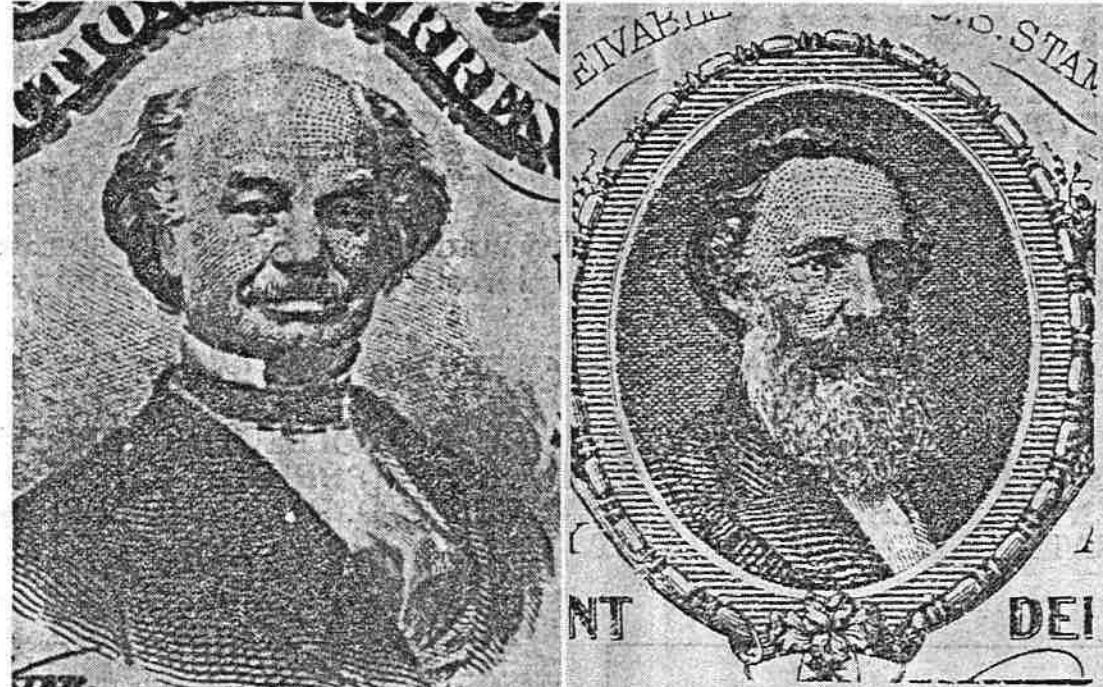
By Brent H. Hughes

Collectors of U.S. currency recognize the names of the men who created our present Bureau of Engraving and Printing: Salmon P. Chase, Francis E. Spinner and Spencer M. Clark. But there was another man who deserves recognition because he tried very hard to serve our government and ended up taking a beating for his efforts.

He signed his name, "S. Gwynn," associates referred to him as Dr. Stuart Gwynn, but most history books refer to him only as Dr. Gwynn of Massachusetts. His title while working for the government was "Volunteer Consulting Engineer and Chemist to the National Note Bureau" (an early name of the Bureau of Engraving and Printing), and his government career was quite an adventure.

To offset the critical shortage of coins during the Civil War emergency, Spinner devised what we now call Fractional Currency, small paper notes with denominations of less than a dollar. The first issue of this currency was called "postage currency" because the designs used included those on contemporary stamps which people were using for change. The small notes were printed by private bank note companies in New York City and shipped to Washington, D.C., where clerks cut the notes apart prior to issue.

Security problems arose during shipping, so the Treasury Department decided to take



Perhaps as much so as his Treasury bosses, Francis E. Spinner (left) and Spencer M. Clark (right), Dr. Stuart Gwynn deserved to have been immortalized on the Fractional Currency which his paper invention helped make feasible.

ter County, N.Y. I have been in Boston a considerable portion of time since 1855, but consider N.Y. City as my residence, having a place of business there. My first correspondence with the Treasury Dept. was in June or July, 1862. It was in regard to having the Dept. adopt a new kind of paper of my invention. In October 1862 I received a telegram from the Hon. Secretary of the Treasury asking me to come to Washington immediately. I hesitated as I was busy with my inventions connected

was the answer. Gwynn designed two large steel cylinders which he had built by the firm of Pool and Hunt Engineers in Baltimore. From these cylinders they planned to run pipelines to each press. The oil would be compressed by giant pistons in the cylinders and forced through the pipes to the printing presses. If enough pressure could be applied, it would be possible to print on dry paper and cut costs considerably.

In an outside courtyard Clark erected a huge oak timber which

that time until October last. The paper would not absorb ink and although one face might have a good impression, it was difficult to print the other side. It required two-thirds more power to do so and many presses broke. At present we have only three hydraulic presses at work and are now working about fifty ordinary presses, day and night, with about one hundred men employed."

Of course the private bank note companies had their informants inside the Treasury send-

Gwynn under arrest and threw him into a damp cell in Old Capitol Prison. The Solicitor and Chase were appalled at these actions but the wily Baker assured them that a full confession by Dr. Gwynn would arrive shortly.

The Secretary, who was completely taken in by Baker, signed a commitment order on Gwynn on January 7, 1864 and temporarily suspended Clark until the matter could be resolved. But Baker kept delaying matters and finally Chase became suspicious of his behaviour. He sat down at his desk and carefully examined the papers seized from Dr. Gwynn and found nothing to support Baker's allegations. He then told the Solicitor to visit Dr. Gwynn in his cell and get the truth.

Gwynn was pacing his cell, outraged at the treatment he had received. The Solicitor realized that both he and Chase had been duped by Baker and on February 5, 1864, both Gwynn and Spencer Clark were reinstated.

Clark apparently went right back to work on his beloved projects, but Dr. Gwynn was still angry. He packed his belongings and moved to a boarding house. From there he conducted his business by mail and messenger. He never entered the Treasury building again. Every night he sat in his room writing letters to his friends telling them about Baker and how the so-called detective was kicking people around.

Chase was also outraged and began to make some inquiries. It

over the entire job of printing all U.S. paper money, a decision which naturally brought violent reactions from the powerful private companies. They launched personal attacks on the men involved at the Treasury Department, attacks which lasted for years.

Salmon P. Chase, Secretary of the Treasury, leaned heavily upon his Treasurer, Francis Spinner, and the Acting Engineer-in-Charge of the Treasury Department's Construction Bureau, Spencer Clark. The latter was ordered to hire artists to design new fractional currency, to devise the machinery to print and process them and to work out effective protection against counterfeiting.

Anti-counterfeiting measures included a search for a new paper on which U.S. paper currency could be printed and over which the government could exercise complete control.

Chase felt that such paper, combined with other features built into the designs, would offer maximum protection against counterfeiters.

Chase invited the distinguished American Academy of Sciences to help in the search for the paper. He placed ads in newspapers offering rewards to inventors who could devise special paper to meet Treasury requirements. One those who replied was Dr. Gwynn, who sent in a detailed description of his paper along with letters of recommendation from prominent friends. Chase was much impressed and asked Gwynn to travel to Washington for an interview. In later years Dr. Gwynn recalled the events vividly.

"My business is that of a chemist, inventor and engineer; I am 46 years old; have a family of wife and five children. The homestead of my family is in Cortlandt Township, Westches-

ter with steam engines, new telegraph instruments, gas apparatus, etc., in completing them and obtaining patents. I consulted with the parties interested with me and they consented to my going to Washington to learn what Hon. S.P. Chase wanted of me in regard to the 'paper'. The result was the making of a contract etc."

The contract could be terminated on 60 days notice; Chase was taking no chances on a failed experiment. When Dr. Gwynn agreed to terms he was introduced to Spencer Clark, who liked the inventor immediately. The two worked as a team, with Gwynn actually living on the third floor of the Treasury building. This was not too unusual because Spinner often slept there also, guarding the vaults.

The standard printing method using steel plate engravings required many slow stages of wetting and drying the paper. Clark, always in a hurry, wanted to try printing on dry paper. He soon found that the paper had to be softened with water before it could be pressed down into the plate to pick up the ink. To print on dry paper would obviously require far more pressure than available machinery could provide.

So while Clark built a huge apparatus to provide the pressure, Dr. Gwynn began making his special paper in a basement shop. His process consisted of taking two very thin sheets of paper and binding them together with short pieces of fiber such as silk-jute sandwiched between them. The resulting paper was called "spider-leg web" because the tiny fibers inside resembled the legs of a squashed spider.

While his paper dried, Dr. Gwynn helped Clark with his project. Together they decided that hydraulic pressure using oil

reached to the top of the building. On top of this timber he placed huge pulleys which led heavy wire cables through holes in the brick walls and over to the cylinders. On the other end of the wire cables Clark hung cast iron blocks weighing a hundred tons. In operation a steam engine would raise the blocks to a certain height where a trip device would release them. They then dropped a few feet until the cables stretched and transferred the pressure to the cylinders on the roof.

Needless to say, this activity caused an enormous amount of noise in the courtyard and a lot of employees in the offices became very nervous. But the supervisors knew that Clark had the firm backing of Secretary Chase and complaints were ignored.

Clark's problem was that steel technology had not advanced to the point that the cylinders could withstand the tremendous internal pressure. They burst, spraying oil in all directions. Poole and Hunt were helpless to correct the problem which Clark attributed to "bad iron."

And there were other problems. A statement by Charles Neale, Assistant Superintendent of Printing of Fractional Currency, said it best.

"I was appointed to my position Oct. 11, 1862 and was immediately sent to Philadelphia and New York to procure presses and workmen to print the fractional currency; the men to report after Nov. 1st, 1862. The roof was not on the building in the Treasury Dept. until January, 1863 and we had the presses up in March. I wanted Mr. Clark to use bank-note paper and print in the old mode in order to supply the demand; but he declined doing so. The new mode (on dry instead of dampened paper) and experiments have been going on from

ing them reports of all the problems and all kinds of accusations were made in the press, most of them involving Clark and Gwynn.

Then, in December of 1863, a clerk in Spinner's office stole a large amount of money. Even though he was promptly arrested and charged and all of the money recovered, the incident gave critics just what they were looking for. They implied that Treasury employees were stealing money as fast as the presses could turn it out.

To counter all the accusations, Chase sent a note to Secretary of War Stanton on December 23, 1863 asking him to detail a detective from the War Department to look into the charges. The detective sent by Stanton turned out to be the notorious Lafayette Baker, a rather mysterious operator who somehow managed to get himself involved in everything that was happening in the chaos of wartime Washington. It was like sending the fox to check on the chickens and Baker went to work with a vengeance.

His first report to Chase indicated that the Secretary's fears were well-founded. Baker said that he was finding evidence of wrong-doing all over the place.

The startled Chase quickly ordered the Solicitor of the Treasury to conduct an inquiry with top priority. The eccentric Baker had no intention of taking orders from the Solicitor and began to dream up more charges to confuse the issue. He soon alleged that Clark and Gwynn were conspiring to defraud the government.

While Dr. Gwynn was working in the basement one day, the wily Baker broke into Gwynn's living quarters in the building and seized all of his personal papers. After going through them he claimed that he had found proof of fraud, placed

seemed that a lot of good people had suffered at the hands of Mr. Baker and were delighted to take part in settling the score. The infamous "detective" now found professional investigators looking into his past and watching his every move. Even Stanton began to avoid him.

It was a Select Committee of Congress, however, headed by James A. Garfield, that did Baker in. The committee announced that the charges against Clark and Dr. Gwynn were trumped up and that their investigation had revealed that "the detective and his alleged girl friend were tools of the commercial interests."

The committee did not name the commercial interests but all of Washington knew that Baker's employers were the big private bank note companies and their lobbyists on Capitol Hill. There were many articles written about Lafayette Baker and his career is a story in itself.

Sometime during all this activity, the disgusted Dr. Gwynn returned to his family and friends in New York and Boston. He had had his fill of government service. So far as we know he lived out his days quietly.

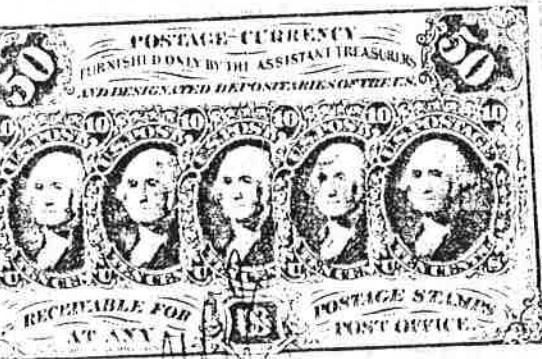
At least one good thing came of all the experimentation, though.

Today's collectors have lots of the notes to study and enjoy. Many scholars specialize in the Second Issue notes on which Clark applied bronze powder in ovals around the portraits. This powder made it impossible to copy the notes photographically because the film then available saw the bronze powder as black. Many of the experimental notes survive today and on the infrequent occasions when examples appear on the numismatic market, they invariably bring high prices. Dr. Gwynn's legacy obviously lives on.



Advertising Scrip Imitates U.S. Fractional Currency

Show in an exhibit from the Eric P. Newman collection at the St. Louis Mercantile Bank Money Museum, of which EPS'er Gene Hessler is curator, was a piece of scrip issued by the famous journalist/publisher Frank Leslie in the form of the 1862 three-cent fractional currency note. The front bears a Washington portrait somewhat similar to that of the genuine but only the bare inscription "Cashier of Frank Leslie's Publishing House/Pay Bearer/Three Cents" plus Leslie's signature. A series of circular counters bearing the numeral "3" comprise the left and right borders. The back features, like the actual note, a large numeral "3" at center but no Roman numerals in the corners. In place of the obligation there is the inscription "Receivable at all newspaper depots in the United States and payable at 19 City Hall Square New York in current funds when presented in sums not less than one dollar." The printer's imprint reads "Capewell & Kimmell New York."



Catalogue of the 1st & 2nd Issues of Fractional Currency



shown at
Memphis
1968 by
a FCCB member



Depreciated currency markings of 1863-78: philatelic artifacts of Civil War inflation

On Feb. 25, 1862, the United States Congress passed the legal tender act, authorizing the issuance and use of paper money (called greenbacks) as a part of the federal effort to

Postal History

By Richard B. Graham

finance the Civil War.

This action had far-reaching effects. It even created a need for special postal markings on certain incoming letters from abroad.

The markings resulted from the depreciation of the greenbacks, which were not backed at full face value in silver or gold coinage, but still were expected to be accepted at full face value as legal tender.

Gresham's Law, named after Elizabethan merchant Sir Thomas Gresham who originally pointed it out, says that money of lesser value will drive more valuable money out of circulation. ("Bad money drives out good.") The Civil War era proved this maxim completely valid.

As the war developed, gold, silver and even base-metal coins were hoarded and soon disappeared from circulation.

In order to provide loose change for small transactions, a number of private alternatives developed. Merchants and private individuals created tokens, encased postage stamps, and even their own paper money, including fractional currency (called shinplas-



Figure 1. A depreciated currency cover from England in 1866. Due postage was payable in coin at 24¢. If paid in paper money or shinplasters, 33¢ was due.



Figure 2. Sent from Bremerhaven, Germany, by Bremen packet, in the late 1860s, the illustrated cover bears a New York depreciated currency marking showing postage due of 10¢ in coin or 12¢ in paper money.

At first, the lack of small coins was more inconvenient for postmasters and postal patrons than for the Post Office Department. However, a distressing situation soon developed respecting incoming foreign mails with collect postage, exchanged under postal treaties or conventions that required debits or credits on each letter.

For details of one such system, see this column for March 21.

Under the law that made the greenbacks legal tender, postmasters had no choice but to accept the paper money at full face value, even though merchants normally discounted it.

In February 1863, the post office pointed out to Congress that the problem was already costing the department close to \$50,000 a year. Taking advantage of the situation, foreign correspondents were sending more and more mail to the United States unpaid.

In response, Congress authorized the post office to collect the postage due in specie or its equivalent value in depreciated currency.

An order issued by Postmaster General Montgomery Blair, effective May 1, 1863, implemented this. Blair ordered the U.S. exchange offices that received such unpaid letters from abroad to indicate the amount of postage required in "U.S. Notes" in addition to the amount in silver coinage.

Thus, each exchange post office had to become aware of the daily value of silver coinage in paper currency. For example, the average price of silver coinage in greenbacks in 1864 was \$1.96 in paper money for each dollar of silver coinage.

The markings on the incoming covers took various forms.

The Figure 1 cover shows a typical marking applied at New York on Feb. 9, 1866. The cover originated in London and was brought to the United States by the Cunard liner *Australasian*. The full treaty-rate

postage of 24¢ was due. Of this 19¢ was due England for its share of the postage.

The New York exchange post office, upon receiving the letter, applied the marking reading "N.Y. 24 Br. Pkt/Or U.S. Notes/33" with the date.

This meant that the collect postage could be paid with either 24¢ in silver coin or 33¢ in paper money. It was based

upon a list price of silver coinage, on the day the cover was received, of about \$1.375 in paper money being needed to buy a dollar's worth of silver coinage.

The original order applied this process to letters received from England, France, Prus-

Figure 2 shows a cover sent by Bremen packet from Bremerhaven, the point of departure for the packets, to New York in the late 1860s.

The New York exchange office rated this cover as due 10¢ treaty-rate postage, payable in coin, or 12¢ in depreciated currency, based on a ratio of coin to currency of \$1.20 to the dollar.

The use of depreciated currency markings continued after 1863 throughout the postal treaty era, until the times when debits and credits on foreign mail vanished with each country concerned.

Various countries were added from time to time. In 1868,



Figure 3. Since this cover, from USS *Omaha* off South America, arrived at New York aboard a ship under U.S. Post Office Department contract, no postage was owed to any foreign country. The cover was marked as having 10¢ postage due in "U.S. Currency" — to prevent any premium being charged.

sia, Hamburg, Bremen and Belgium. The United States had postal treaties or conventions requiring debits and credits for postage with all these nations.

new postal conventions were negotiated with a number of foreign countries, including the Netherlands, Switzerland and Italy.

(OVER)

CONT'D

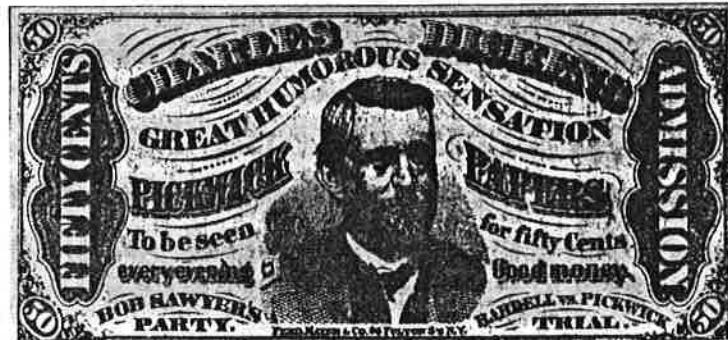
Considering the possibility of daily changes in the ratio of coinage to paper currency, and the complex postal arrangements with various countries, the depreciated currency markings became very complicated in detail. Apparently some mails were charged with needless premiums.

The cover shown in Figure 3 shows one remedy for this. This cover was sent in 1873 from aboard a Navy ship, USS Omaha, then off the coast of South America. The cover was carried to New York by a contract steamship in a service not requiring depreciated currency premiums, because no part of the postage would go to a foreign country.

The marking reads "New York/Due/10/U.S. Currency," which, in effect, is the opposite of the depreciated currency markings. Here the indication is that no premium was to be charged.

Most of the data on this complex subject, which is far larger and more detailed than I've indicated here, comes from two articles by the late Prof. George E. Hargest, in the *Chronicle of the U.S. Classic Postal Issues* for August and November 1968. These include references and data regarding the value of coinage and paper money during the depreciated currency period, from 1863 through 1878. ■

BNR
6/88



Neil's Note-of-the-Month

Fractional Currency lookalikes or parodies are always popular with collectors, and this one is among the best of them. It imitates the Spinner 50¢ Third Issue, Type 2, and is a 50¢ ad note for the Pickwick Papers production presented at Worrell Sisters' New York Theatre. General U.S. Grant is portrayed at center on the black-printed face. The Ferd. Mayer imprint is at lower center under the portrait. The back is printed in green, with red outline lettering PICKWICK/PAPERS overprinted in the style of the Fractional Currency numeral overprint.

COIN WORLD, Wednesday, July 13, 1988

55

Gengerke talk reviews early postage currency

Members and other attendees at the June 25 meeting of the Fractional Currency Collectors Board saw a slide-illustrated talk by Martin Gengerke, who treated the subject of "Postage Currency," a forerunner to U.S. fractional currency.

The educational presentation came during the 12th annual International Paper Money Show in Memphis, Tenn.

Among the aspects of the subject covered in Gengerke's talk were: the varieties of postage currency that exist, errors, attempts to counterfeit the money, satirical notes made from postage currency and some of

the variations of the surcharge stamps applied to the pieces.

Following Gengerke's presentation, presiding officer Doug Hales informed the group of some the new discoveries in fractional specimens over the past year.

During the meeting, winners of the FCCB's exhibit awards were announced. Taking best-of-show honors was Doug Hales, for his "Fifth Issue United States Fractional Currency." Second place went to Benny Bolin. Both exhibitors received plaques in recognition of their exhibits.

The meeting was held at the Holiday Inn-Crowne Plaza Hotel in downtown Memphis.

COINS

Cleve PD 6/26/88

Catalog lists Canada's colonial-period tokens

By LEON LINDHEIM

DID YOU KNOW

... that in 1904 a dealer was hard put to sell a Fractional Currency shield for \$8?

For four months running, a coin dealer from Boston named W. Von Bergen advertised a "somewhat soiled" shield for \$8, indicating that he had no takers for at least three months.

When you consider that the face value of the 39 specimen notes pasted on the shield was more than \$2, and that the rare 15-cent Grant and Sherman notes, which never were issued for circulation, could retail for over \$4, it is amazing that there were no takers immediately when offered.

As to being "somewhat soiled," this was not unusual. These shields were used by banks as counterfeit detectors from 1865 to about 1870, after which most were relegated to the banks' basements. Not until the turn of the century was enough interest shown in this series for dealers to ask bankers to see if they owned one (or more) that they might wish to sell.

Interest in fractional currency has grown steadily since then. Twenty-five years ago, one could be obtained for \$50. By 1960, the price had risen to more than \$300. Today, a fairly clean one sells for over \$2,500.



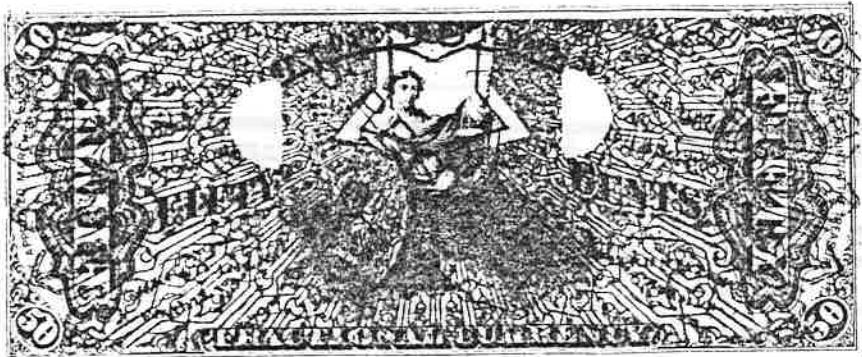
10-cent twins

Look again! That's not a pair of 10¢ Fourth Issue U.S. Fractional Currency notes. The piece on the right is a 10-cent bond issued by the City of Gainesville, Ga., in 1873. On Aug. 10, 1883 — ten years later — the bond was redeemable with 2% annual interest added — a whopping 12¢ value on maturity. Holders would have done better to wait for the collector market to develop. In the recent Tavistock auction conducted by NASCA, this Very Fine example of the Gainesville fractional bond sold for \$198 (with buyer's fee) against a \$100-200 estimate.

BNR - MARCH 1988



Fractional currency shield.



3E5C/F1

BRONZE OVERPRINT
BLANK BACK



3E5C/F1a

BRONZE OVERPRINT
BLANK BACK



BLANK BACK

3E5C/F2



GREEN OVERPRINT, BLANK BACK

3E5C/F4c



3E5C/F5b

FIBER PAPER
RE HAB S-2-6-4 + 50', NO ENGRAVE



3E5C/F4a

SURFACED AT
1988 ANA
in Cincinnati, Ohio

BLANK BACK